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**Tarrant County Texas** 

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HARDING COMPANY 13465 Midway Road, Suite 400 Dallas, Texas 75244

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SUZANNE HENDERSON TARRANT COUNTY CLERK TARRANT COUNTY COURTHOUSE 100 WEST WEATHERFORD FORT WORTH, TX 76196-0401

<u>DO NOT DESTROY</u> <u>WARNING - THIS IS PART OF THE OFFICIAL RECORD.</u>

ELECTRONICALLY RECORDED
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FAIRWAYS Realty LP 10652.PET

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW. NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Producers 88 (4-89) — Paid-Up With 640 Acres Pooling Provision

PNUM: 10652, PET

# PAID-UP OIL & GAS LEASE

THIS LEASE AGREEMENT IS made this day of AGAUST 2010, by and between Fairway Realty, L.P., a Texas Limited Partnership, whose address is 8530 Esters, Irving, Texas 75063, as Leisor, and Chesapeake Exploration, LLC, a Oklahoma limited fiability company, P.O. Box 18496, Oklahoma City. Oklahoma 73154, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

#### See attached Exhibit 'A' for Land Description

in the County of Tarrant, State of TEXAS, containing 17,930 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalities hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

- 2. This lease, which is a 'paid-up' lease requiring no rentals, shall be in force for a primary term of ONE (1) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.
- cherwise maintained in effect pursuant to the provisions hereof.

  3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be Twenty Five-Percent (25%) of such production, to be defivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be Twenty Five-Percent (25%) of the proceeds realized by Lessee from the safe thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee from the safe thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee from the safe thereof or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailin wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells
- 4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at Lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or lenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive
- payments.

  5. Except as provided for in Paragraph 3 above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hote") on the leased premises or tands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after complation of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

  6. Lessee shall have the right but not th
- 7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises
- 8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lesser has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and fallure of the transferree to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferree in proportion to the net acreage interest in this lease then held by each.
- 9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so releases. If Lessee releases all or an undivided interest in less than all of the area covered hereby. Lessee's obligation to pay or tender shut-in royallies shall be proportionately reduced in accordance with the net acreage interest retained hereunder.



- 10. In exploiting for, developing, producing and marketing oil, gas and other-substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery. Leases shall have the right of ingress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lesses to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lesser's wells or pends. In exploring, developing, producing or marketing from the leased or lands pooled therewith, the ancillar transport and static static for the second premises of canals and on the leased of the leased exploring, developing, producing or marketing from the leased promises or lands pooled thorewith, the ancillary premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this ereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith —When premises, except water from Lessor s were or penus. In exploring, severaping, prouvaling or manusquer instructives and instruction of this granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessoe shall bury-its pipelines below ordinary-plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased-premises or other lands used by the operations to buildings and other improvements now on the leased premises or such ather lands, and to commercial timber and growing crops thereon. Lessoe shall have the right at any time to remove its fixtures, equipment and materials, including well-casing, from the leased premises or such other land
- thereafter.

  11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, fiot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this tease when drilling, production or other operations are so prevented, delayed or interrupted.
- 12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.
- 13. No frigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.
- 14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.
- 15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event tessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

  16. Notwithstanding anything contained to the contrary in this lesser has a lessee that the contrary in this lesser has a lessee that the contrary in this lesser.
- Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other 16.
- This lease may be executed in counterparts, each of which is deemed an original and all of which only constitute one original.

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the nabove named as Lessor.

| signatory's h | elrs, devisees, executors, administrators, successors a | ind assigns, whether or not this lease has been executed by all parties here |
|---------------|---|--|
| LESSOR (W     | HETHER ONE OR MORE)                                     |  |
| Fairway       | Realty, L.P., a Texas Limited Partnership               | p  |
| Name/ By:     | Narendra P. Pranau                                      |  |
| Sign :        | Wranne  | <u></u>  |
| Title :       | Manager/ Member   |  |
|               | <b>J</b> .  | CORRORATE ACKNOWN FROMENT  |
|               |   | CORPORATE ACKNOWLEDGMENT   |
|               |   |  |
|               | TEVAS   |  |

COUNTY OF Dallas before me on the 5th day of August, 2010, by Nasendra P. Yranau, of Finchley Investments, LLC, on behalf of said limited liability company in its capacity as General Partner of This instrument was acknowledged before me on the  $\frac{5}{1}$ Member Fairway Realty, L.P. a Texas Limited Partnership, on behalf of said limited partnership. Signature of Notary: Notary's name (printed): Notary's commission expires: SEAL: JOHN B. PHILLIPS Notary Public, State of Texas My Commission Expires November 16, 2011

| day of, Page | at o'clock M and duly recorded in of the |
|--------------|--|
| by _         | Clerk ( or Deputy))                      |
|              | Page                                     |

RECORDING INFORMATION

EXHIBIT "A"

Attached to and made a part of that certain Paid Up Oil and Gas Lease dated Achesapeake Exploration, LLC, a Texas limited liability company, as Lessee., and Partnership, as

From time to time Lessee may determine that some part or all of the Leased Premises should be more specifically described, in which case Lessor agrees to execut any substitute Lease(s) or correction to Lease(s) tendered by Lessee for such re-déscription.

17.930 acres of land, Tarrant County, Texas, described as the following two (2) Tract of land to wit:

Tract 1: 2.310 acre(s) of land, more or less, situated in the William Mann Survey, Abstract 1010, and being a portion of Lot 3, Block 1, Hightower Plaza Addition, an addition to the city of North Richland Hills, Tarrant County, Texas, according to the plat recorded in Cabinet A, Slide 4032, Tarrant County, Texas, and being further described in a Special Warranty Deed dated 4/27/2004, from Lincoln Hightower, Ltd., a Texas Limited Partnership to Fairway Realty, L.P., a Texas Limited Partnership, recorded as Instrument No. D204134454 of the Official Records of Tarrant County, Texas.

Tract 2: 15.620 acre(s) of land, more or less, situated in the William Mann Survey, Abstract 1010, and being further described in a Warranty Deed with Vendor's Lien dated 3/27/2004 and recorded as Instrument No. D204034811 of the Official Records of Tarrant County, Texas.

Name/ By:

Sign:

Title:



Initials

### **EXHIBIT "B"**

ATTACHED HERETO and made a part hereof to that certain Oil, Gas and Mineral Lease dated August 5. 2010, by and between Fairway Realty, L.P., a Texas limited partnership, Lessor, and Chesapeake Exploration, LLC, Lessee.

#### PROVISIONS:

- 18. Notwithstanding any provisions in the foregoing lease, it is understood by and between the parties hereto that the following provisions shall control rather than the provisions contained in said lease.
- 19. Notwithstanding any other provisions contained in this lease, said lease covers only oil, gas, and associated hydrocarbons and does not cover any minerals other than the latter. It is fully understood and agreed that coal, lignite, iron one, gravel and all other surface minerals are hereby reserved to the Lessor.
- 20. Lessee and its successors and assigns waive all surface rights and agree that in conducting operations of whatever nature with respect to the exploration for, exploitation of, mining, production, processing, transporting and marketing of oil, gas and associated hydrocarbons from the leased premises or in connection with the conduct of other activities associated with Lessee's ownership of this lease, Lessee shall not use, enter upon or occupy any portion of the surface of the leased premises whatsoever, or for any purpose and shall not place any fixtures, buildings, machinery, facilities or structures thereon. This waiver of surface rights shall not be construed as a waiver of the right of Lessee to exploit, explore for, develop, mine or produce such oil, gas and associated hydrocarbons with wells drilled on the surface of land other than the leased premises, including without limitation, directional wells beneath or drilled through any part (other than the surface) of the leased premises in accordance with the laws and regulations of the State of Texas.
- 21. It is understood and agreed that after the expiration of the primary term of this lease, each then producing well, producing oil and/or gas in paying quantities, shall hold acreage out of the leasehold estate only that acreage included in proration units as set by the applicable spacing rules. Any land not so held by production at the end of the primary term of this lease and all depths below 100 feet below the stratigraphic equivalent of the deepest producing horizon under each such proration unit shall revert to Lessor free and clear of the terms of this lease.
- Drilling, reworking operations, or production of oil and/or gas from a pooled unit established under the printed provisions of this Lease shall maintain this Lease in effect only as to that portion of the lease premises which is included in a pooled unit. This lease may be maintained in effect as to the remainder of the lease premises in accordance with the other provisions of this Lease
- 23. Royalties shall be paid without deductions for the costs of producing, gathering, storing, separating, treating, dehydrating, compressing, transporting, or otherwise making the oil and/or gas produced from the lease premises ready for sale or use. All oil and/or gas royalty shall be delivered free of cost into the tank or pipeline (for oil) and into the pipeline (for gas), with the exception of Lessor's prorate share of any taxes, measured by volume, on the oil and/or gas royalty.
- 24. Royalty payment. It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, any such costs incurred on an unaffiliated interstate or intrastate gas pipeline which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.
- Lessee and its successors and assigns shall be liable for, and shall exonerate, indemnify, hold harmless and defend Lessor and Lessor's successors in title, and all surface owners and surface Tenants and Lessees of the land to which this oil, gas and minerals lease pertains, against any and all claims, losses, damages and costs including costs, arising from any acts or omissions pertaining to activities or operations of Lessee, its employees, representatives, agents, invitees, guests or contractors, and any and all related expenses (including, without limitations, attorney's fees). This exonerations and indemnification shall, without limitation cover bodily injury, death, damage to property or natural resources, and compliance with all legal obligations (including, without limitation, any governmental order, directive or demand to test for, monitor, clean-up, remove, contain, treat, detoxify or neutralize any pollutants or to conduct any corrective action and to undertake any response, removal or remedial activity, and to pay all the related costs) arising from any presence, treatment, storage, disposal, dispersal, discharge, release, or escape of hydrocarbons, chlorides, gas vapors, or other Irritants, or contaminants, pollutants, hazardous material, hazardous substance or waste, or any other toxic substance, or oil or gas or constituent parts even if not considered hydrocarbons, and any spillage, and be deemed a continuing exoneration and indemnification, without limitation of duration, that shall survive the expiration or termination of this lease and of the activities and operations of Lessee, and shall apply after discovery of conditions and matters that were not actually discovered prior to the expiration or termination of the Lease.
- If, during the primary term or thereafter, there is located on the leased premises (or land pooled therewith according to the pooling authority contained in this lease) a well completed and capable of producing gas in paying quantities but the production thereof is shut-in, shut-down or suspended for lack of a market, available pipeline, or because of government restrictions or, if it is economically inadvisable for both the Lessor and Lessee to sell gas for a time as evidenced by a written agreement signed by both parties, then, and in any such event, the Lessee may pay as royalty a sum of money equal to \$100.00 per acre for the referenced acreage per annum for the period commencing on the date the well is shut in. The first payment will be due not later than ninety (90) days after the date the well is shut in, and subsequent payments will be due annually thereafter (if this lease is not being otherwise maintained in force) on the anniversary date of the period for which the prior payment was made. Upon proper and timely payment of royalty under this paragraph, it will be considered that gas is being produced. Shut-in royalty may be paid direct to Lessor at the address set out in this lease. This lease may not be maintained after the primary term by the payment of shut-in royalties for more than a period of two (2) consecutive years or four (4) years in the aggregate without Lessor's written consent.

27. The terms hereof are binding on the parties hereto and their respective successors and assigns.

Fairway Realty, L.P., a Texas Limited Partnership

larendra t.

Name/ By: Sign : \_\_

Title:

Manager / Member

